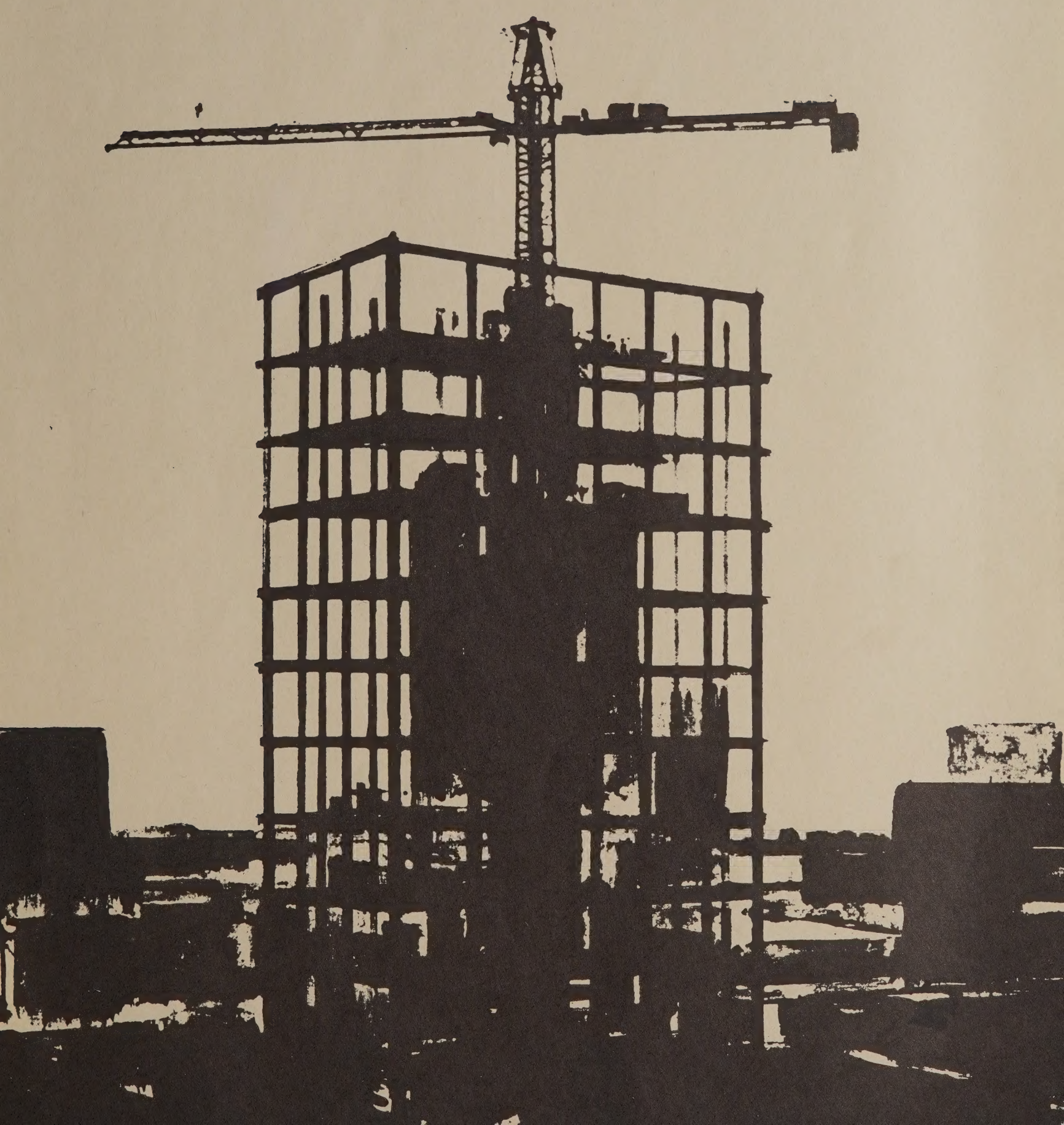


AR09



Release: Wednesday, March 28th, 1973

Toronto--Loan commitments for TD Realty Investments have reached \$85 million since the trust was formed last year, G.E.W. Hemmans, President and General Manager, reported at the annual meeting here today.

Response to the trust's initial share offering and the growth of its loan portfolio have confirmed the Toronto Dominion Bank's judgement that there was a place for real estate investment trusts in Canada, Mr. Hemmans said.

TD Realty, Canada's first real estate trust, was incorporated last October. The initial market issue was over-subscribed and there are now more than 11,000 unitholders.

"The trust's loans have grown steadily," Mr. Hemmans said, "and at year end its portfolio of committed loans was \$54 million of which \$33 million had been funded, and as at this date the figures are \$85 million and \$45 million respectively."

The trust's capital funds total \$75 million, Mr. Hemmans added and "it is readily apparent, therefore, that the trust is on the verge of having to borrow money. Plans for such action are in a forward state."

Because of national and international uncertainties, it is essential to keep a reasonable degree of flexibility in its investment policy and fluidity in its investments, he said.

The trust's policy will be "to keep average maturities at the short end of the market and to place a significant part of its funds in floating rate loans."

On the borrowing side, the trust will go to the short and mid-term market.

Commenting on the trust's investment portfolio, Mr. Hemmans said: "A broad analysis shows that of the \$85 million that has been committed, 55 percent is in NHA and conventional mortgage loans, close to 90 percent of the overall total is in loans with terms of five years or less and 35 percent is in loans with interest at floating rates."

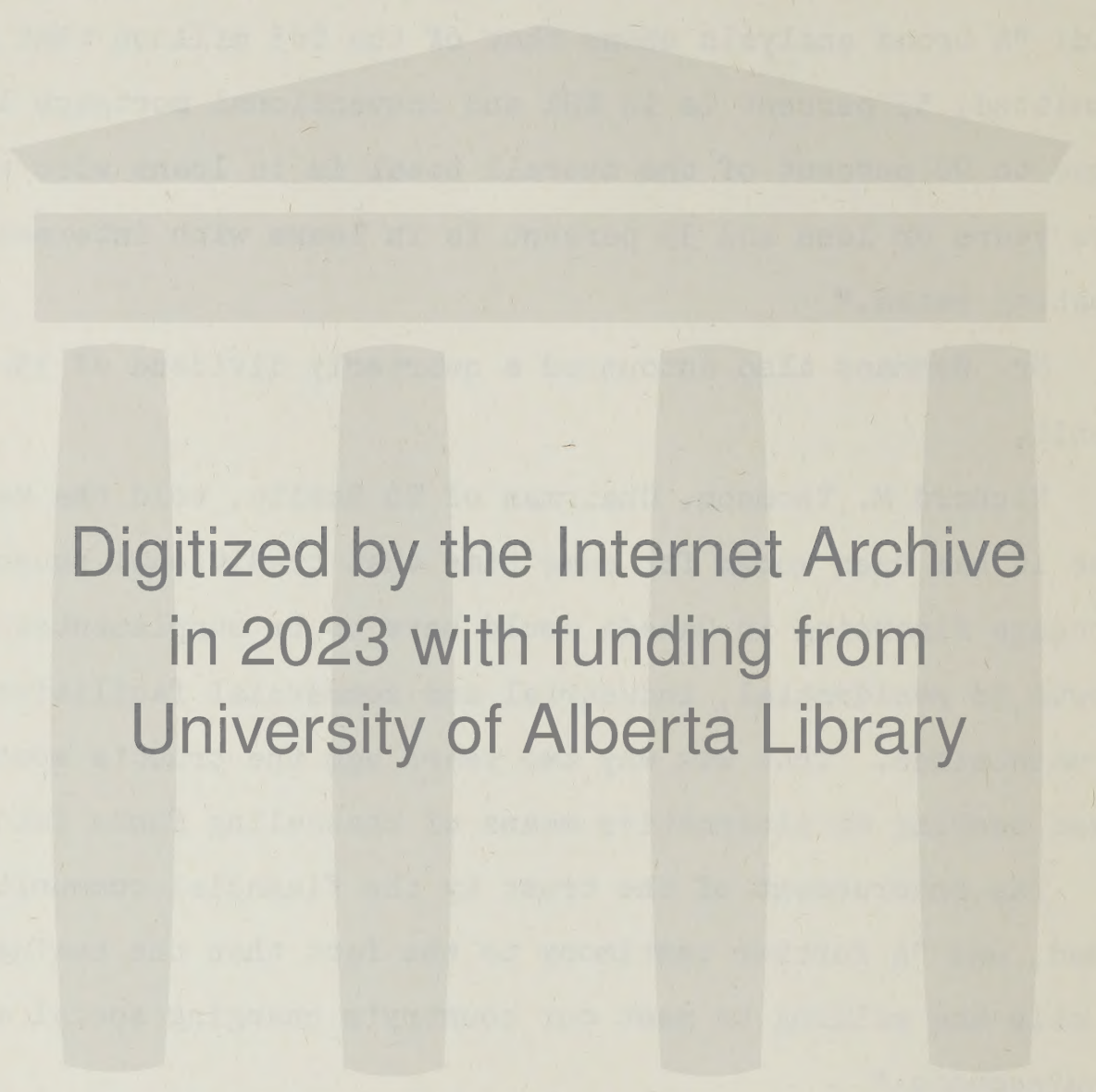
Mr. Hemmans also announced a quarterly dividend of 35 cents a unit.

Richard M. Thomson, Chairman of TD Realty, told the meeting that it has been known for some time that traditional sources of mortgage financing in Canada would have to be supplemented if the growth in residential, industrial and commercial facilities was to be maintained. That was why two years ago the trust's sponsors began seeking an alternative means of channeling funds into mortgages.

The endorsement of the trust by the financial community, he added, was "a further testimony to the fact that the business community is able and willing to meet our country's changing social and economic requirements."

During the two years during which TD Realty was brought into existence, its two sponsors, Toronto Dominion Bank and McLeod, Young, Weir & Company, had numerous meetings with federal and provincial authorities.

"In the course of these discussions we made available the results of our considerable body of research and hence assisted the various securities commissions to establish in a relatively short time workable policies to govern the new REIT industry," Mr. Thomson said. "We are proud of the role we have played in fostering this development."



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TD REALTY INVESTMENTS

1972 Financial Highlights

Income before Expenses and Interest on Participating Note	\$ 1,156,676
Net Income	\$ 552,924
Dividend Paid	\$ 352,924
Earnings Per Trust Unit	30.7¢
Dividend Paid Per Trust Unit	19.6¢
Total Assets	\$77,057,413
Advances and Commitments for Mortgage Loans and Other Real Estate Investments	\$54,156,548

President's Message

Last October, TD Realty Investments became Canada's first public Real Estate Investment Trust. The initial public offering, which was one of the largest in the nation's history, was heavily oversubscribed thus enabling a broad distribution of the Trust Units among approximately 11,000 investors with domiciles throughout Canada. This was most gratifying to The Toronto-Dominion Bank, for it proved their conviction that there was public demand for such a vehicle as TD Realty.

The Units are now listed on the Montreal, Toronto and Vancouver stock exchanges, and the strong after-market that has developed in all these centres has given the Units the required liquidity to make them constantly attractive to every type of investor.

The first two and one-half months of operation have been a period of organization, establishing the foundation for profitable growth in the years ahead. Despite this minor distraction, at year-end, December 31, the Trust had over \$54,000,000 in advances and commitments on its books, of which close to \$33,000,000 had already been funded.

The Trust's objective is to provide its Unitholders with a balanced portfolio of sound real estate investments that will give them not only a gradually increasing income but also the potential for long-term capital appreciation.

It is, and will continue to be, TD Realty's policy to distribute all taxable income of each fiscal period. Accordingly, a dividend, representing the full taxable income for the period ending December 31, 1972, was paid in January.

The Trust is most fortunate in having a Board of Trustees which includes among its members capable businessmen with a depth of experience in all facets of real estate development and finance. We are pleased to advise that to an already strong slate the name of Mr. André Marcil was added in December. Mr. Marcil resides in Montreal and has been directly involved in mortgage financing for many years through his company, Marcil Mortgage Corporation.

The market for 1973 promises to be competitive. However, results to date encourage us to think that it will be possible to maintain a rate of growth throughout the whole year that will not only meet the criteria for sound lending but also satisfy the expectations of the Unitholders. We face this challenge with optimism and confidence.

G. E. W. Hemmans
President and General Manager

Investment Policy and Objectives

The objective of TD Realty Investments is to build up a portfolio of mortgage and real estate investments for its Unitholders that will meet three fundamental requirements: 1) quality security, 2) a good rate of return, and 3) long-term capital appreciation. Experience has taught us that the one factor that goes farthest towards satisfying all these criteria is diversification. In this regard, the Trust is in a favoured position through having as its Adviser, The Toronto-Dominion Bank, which by virtue of its more than 800 branches across Canada and the lending skills of its personnel, provides a tremendous generating force for loan applications of all types and in every location. These facilities will continue to be used to the full to further the interests of the Trust and augment the flow of applications that will be produced independently.

The following is representative of the types of loans and investments the Trust will be seeking.

Residential Mortgages—In response to a national need for increased housing, the Trust intends that residential mortgages will continue to hold an important position in its portfolio. Such loans may be either government-insured N.H.A. loans or conventional mortgage loans on single or multiple family units of all types.

Mortgage Loans on Income-Producing Property—Loans will be made to provide permanent mortgage financing on a broad range of commercial and industrial properties such as shopping centres, office buildings, warehouses, manufacturing facilities, and hotels. These investments will be secured by first mortgages on the property with loan-to-value ratios normally up to 75%, but consideration of ratios in excess of this amount will be given if one or more of the following apply: financial responsibility of the owners and tenants; special characteristics of the area where the property is located; insurance coverage on the excess amount. While special emphasis is placed on mortgages with terms in the 5-year range, terms up to 30 years will be considered where the Trust is provided with adequate protection against inflation by introducing a variable factor into the rate structure.

Development Mortgage Loans—Short-term loans will be made to assist financing the acquisition of unimproved land and the cost of converting it into serviced lots where we are satisfied the finished lots can be brought to market within a short term and a market exists for the finished product.

Construction Mortgage Loans—In conjunction with the Trust's Adviser, and other major lenders, TD Realty Investment is actively participating in construction loans on numerous types of development including residential, commercial, and industrial properties.

Standing Loans—This is short-term mortgage financing against completed projects and is designed to give the developer a period of time to lease the premises and arrange long-term financing based on economic values rather than cost.

Standby Commitments—The demand for a standby commitment arises from the desire of developers of income-producing properties to start construction before commitments for long-term financing have been obtained and the construction lender requires a take-out on completion. The standby commitment is an undertaking to make a mortgage loan that will satisfy this requirement. The rates for the standby commitment are such that they encourage a borrower to get his long-term financing in place quickly.

Wrap-Around Loans—The Trust is prepared to make investments in wrap-around loans when a property's value justifies making an additional loan subject to an outstanding prior mortgage and when it is not possible or desirable to retire the prior encumbrance. The principal amount of the wrap-around loan is equal to the outstanding balance under the prior mortgage and the amount of new money required. Normally, as holder of the wrap-around mortgage, the Trust would assume responsibility for payments required under the prior encumbrance. Such loans offer owners of mortgaged property additional financing based on current real estate values and provide the Trust with an attractive rate of return on its investment.

Purchase Leaseback Financing—The Trust is prepared to purchase properties, lease them back to the vendor on rental terms which are sufficient to amortize essentially the acquisition cost and provide a reasonable return on investment. Rentals are normally based on a fixed interest component, but provision may be made for periodic re-negotiation of rental. These transactions sometimes include a re-purchase option which offers the Trust an additional bonus in place of the residual real estate values.

Real Estate Equity Investments—The Trust seeks equity investments in real estate projects which show promising income-producing capabilities. Such investments offering a continuing return to the Trust are viewed with particular favour, but investments which do not offer immediate income will be considered, provided there is evidence of future capital gains from the eventual sale of the property.

Terms and conditions for each loan are tailored to suit the attendant circumstances. The keynote of the Trust's investment policy is creativity, and officers have been selected who have the necessary qualities to execute it and instil it in others by example and training. The on-going success of the Trust will be dependent, to a marked degree, upon the continuing availability of imaginative and capable personnel. The training of such people is one of our objectives.

Balance Sheet

as at December 31, 1972

Assets

CURRENT ASSETS:

Cash and deposit receipts	\$43,194,626
Accrued interest receivable	951,437
Mortgage payments due within one year	<u>446,691</u>
Total current assets	44,592,754

INVESTMENTS (Note 2):

Mortgage loans and other real estate investments— at cost, less amounts due within one year	<u>32,464,659</u>
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TOTAL	<u>\$77,057,413</u>
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On behalf of the Trustees:

R. M. THOMSON, TRUSTEE

G. E. W. HEMMANS, TRUSTEE

Liabilities and Capital Funds

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$	111,895
Accrued interest payable		427,968
Refundable commitment fees		108,376
Dividend payable		<u>352,924</u>
Total current liabilities		1,001,163

CAPITAL FUNDS:

1972 participating subordinated note (Note 3)	\$35,000,000	
Equity:		
Trust units (Notes 4, 5 and 6)	40,856,250	
Undistributed income	<u>200,000</u>	<u>76,056,250</u>
TOTAL		<u>\$77,057,413</u>

See notes to financial statements.

Auditors' Report

To the Unitholders of TD Realty Investments:

We have examined the balance sheet of TD Realty Investments as at December 31, 1972 and the statements of income and undistributed income, and source and application of funds for the period from inception, June 23, 1972 to December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Trust as at December 31, 1972 and the results of its operations and the source and application of its funds for the period then ended, in accordance with generally accepted accounting principles consistently applied.

Toronto, Ontario
January 8, 1973.

Deloitte, Haskins & Sells
Chartered Accountants.

Statement of Income and Undistributed Income

June 23, 1972 to December 31, 1972

INCOME:

Income from investments	\$ 560,382
Interest on deposit receipts	596,294
Total income	<u>1,156,676</u>

EXPENSES:

Administrative expenses	\$60,981
Advisory fee (Note 7)	76,243
Transfer agent fees	20,600
Trustee fees and expenses	<u>17,960</u>
Total expenses	<u>175,784</u>

INCOME BEFORE INTEREST ON PARTICIPATING NOTE 980,892

INTEREST ON PARTICIPATING NOTE 427,968

NET INCOME (Note 8) 552,924

DIVIDEND PAYABLE 352,924

UNDISTRIBUTED INCOME AS AT DECEMBER 31, 1972 \$ 200,000

EARNINGS PER TRUST UNIT (Note 9) 30.7¢

DIVIDEND PAYABLE PER TRUST UNIT 19.6¢

See notes to financial statements.

Statement of Source and Application of Funds

June 23, 1972 to December 31, 1972

SOURCE OF FUNDS:

Net income	\$ 552,924
Proceeds from issue of trust units less underwriting and issue expenses of \$4,143,750	40,856,250
Proceeds from issue of 1972 participating subordinated note	35,000,000
Mortgage payments, including amounts due within one year	<u>1,919,860</u>
Total funds provided	<u>78,329,034</u>

APPLICATION OF FUNDS:

Mortgage loans and other real estate investments	\$34,384,519
Dividend payable	<u>352,924</u>
Total funds applied	<u>34,737,443</u>

FUNDS AVAILABLE FOR INVESTMENT AS AT DECEMBER 31, 1972 \$43,591,591

See notes to financial statements.

Notes to Financial Statements

December 31, 1972

1. TRUST

TD Realty Investments is a trust created pursuant to a declaration of trust made in Toronto, Ontario.

2. INVESTMENTS

Advances on, and commitments for, mortgage loans and other real estate investments are summarized below:

NATURE OF INVESTMENT	ESTIMATED WEIGHTED— AVERAGE YIELD	CLOSED LOANS— FUNDED PORTION	CLOSED LOANS— UNFUNDED PORTION, AND COMMITMENTS	TOTAL
First Mortgage Loans:				
NHA residential	9.12%	\$11,179,851	\$ 4,487,198	\$15,667,049
Conventional residential	9.25%	7,022,140	—	7,022,140
Industrial	9.35%	3,239,770	1,410,000	4,649,770
Commercial	9.56%	300,000	2,660,000	2,960,000
Land development	9.55%	2,944,080	159,000	3,103,080
Junior Mortgage Loans:				
Commercial	8.10%	1,849,109	1,230,000	3,079,109
Construction Loans:				
Commercial	8.11%	4,791,000	11,189,000	15,980,000
Wrap-around Loans:				
Industrial	10.82%	1,437,911	110,000	1,547,911
Equity Participation:				
Commercial		147,489	—	147,489
		32,911,350	<u>\$21,245,198</u>	<u>\$54,156,548</u>
Less payments due within one year		<u>446,691</u>		
		<u>\$32,464,659</u>		

The non-current mortgage loan balances mature as follows:

1974 — \$ 2,736,295	1977 — \$11,368,547
1975 — 1,189,154	1978 and thereafter — 3,522,979
1976 — 13,500,195	

3. 1972 PARTICIPATING SUBORDINATED NOTE

The 1972 participating subordinated note, which matures on February 15, 1993, is unsecured and by its terms is declared to be subordinate, in certain circumstances, to future borrowings and guarantees. Interest is payable semi-annually at a fixed rate of 5.51% per annum plus participating interest at a rate of up to 4.5% per annum based upon net revenue (excluding gains or losses on dispositions) after certain deductions. The note is subject to prepayment in whole or in part, in certain circumstances.

4. TRUST UNITS

The beneficial interest provided for in the declaration of trust is divided into trust units without par value and the number of trust units authorized to be issued is 12,000,000. At December 31, 1972, there were outstanding 1,800,000 trust units and warrants (entitling the holders thereof to purchase an aggregate 900,000 trust units). The trust units were issued during the period from inception, June 23, 1972 to October 12, 1972, for an aggregate cash consideration of \$45,000,000. The warrants carry the right to purchase trust units on the basis of one trust unit for two warrants plus \$25 prior to the warrant expiry date August 15, 1977.

5. EXPENSES OF ISSUE

Issue expenses aggregating \$4,143,750 include an underwriting discount of \$1,443,750 relating to the issue of the convertible participating subordinated debenture 1972 Series by TDRI Limited. This discount is a financing cost related to the issue of the 1972 participating subordinated note and as such has been charged directly to capital.

Notes to Financial Statements

6. ADDITIONAL OPTIONS ON TRUST UNITS

Debentures of TDRI Limited, in the principal amount of \$35,000,000, are guaranteed by the Trust, and are convertible at the option of the holder on and after August 15, 1973 into trust units on the basis of one trust unit for each \$25 principal amount of debentures.

7. ADVISORY FEE

The Trust receives investment and financial advice from the Adviser pursuant to an Advisory Contract dated September 20, 1972. Under this agreement, the Adviser receives a monthly fee not in excess of 1/12 of 1% of the value of the investment portfolio and amounts committed.

8. INCOME TAXES

The Trust has conducted its affairs in a manner intended to qualify as a "Unit Trust" under the Income Tax Act of Canada, and is not taxed on that portion of its taxable income which is paid or payable to unitholders.

The trustees have declared a dividend to unitholders of record on December 29, 1972, of all the taxable income of the Trust for the period ended December 31, 1972. The balance of net income not distributed of \$200,000 is not subject to tax as a result of the deductibility of issue expenses which have been charged to capital. Accordingly, no provision for income taxes has been made in these financial statements.

9. EARNINGS PER TRUST UNIT

The earnings per trust unit are calculated using the weighted-average number of trust units outstanding during the period. The exercise of the warrants and options, referred to in Notes 4 and 6 respectively, would have no material dilutive effect on the reported earnings per trust unit. For purposes of determining the dilutive effect, earnings of \$289,000 have been imputed at a rate of interest based on the average yield of the short-term investments of the Trust.

TD REALTY INVESTMENTS

Trustees

H. C. Bental, Vancouver	President, The Dominion Construction Company Limited
P. H. Davies, Toronto	President and Chief Executive Officer, G. & B. Automated Equipment Ltd.
A. E. Diamond, Toronto	President, Cadillac Development Corporation Limited
G. C. Gray, Toronto	President, A. E. LePage Limited
G. E. W. Hemmans, Toronto	President & General Manager
A. B. Hockin, Toronto	Executive Vice-President, Toronto Dominion Bank
F. A. M. Huycke, Toronto	Partner, Osler, Hoskin & Harcourt, Barristers and Solicitors
C. P. Keeley, Toronto	Vice-Chairman, McLeod, Young, Weir & Company Limited
R. W. Korthals, Toronto	Vice-President, Toronto Dominion Bank
A. Marcil, Montreal	President, Marcil Mortgage Corporation
W. C. Poole, Toronto	General Manager, Toronto Dominion Bank
D. A. B. Steel, Toronto	Partner, Borden, Elliot, Kelley & Palmer, Barristers & Solicitors
R. M. Thomson, Toronto	Chairman President, Toronto Dominion Bank
C. L. Townend, Toronto	Assistant General Manager, Toronto Dominion Bank
N. R. Wood, Toronto	President, The Fairview Corporation Limited

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